

INVESTMENT ADVISER

CAPITAL GROWTH MANAGEMENT
LIMITED PARTNERSHIP
Boston, Massachusetts 02110

TRANSFER AND DIVIDEND PAYING AGENT AND CUSTODIAN OF ASSETS

STATE STREET BANK AND TRUST COMPANY
Boston, Massachusetts 02102

SHAREHOLDER SERVICING AGENT FOR STATE STREET BANK AND TRUST COMPANY

BOSTON FINANCIAL DATA SERVICES, INC.
P.O. Box 8511
Boston, Massachusetts 02266-8511

TELEPHONE NUMBERS

For information about:

- Account Procedures and Status
- Redemptions
- Exchanges
Call 800-343-5678
- New Account Procedures
- Prospectuses
- Performance
- Proxy Voting Policies and Voting Records
- Complete Schedule of Portfolio Holdings
for the 1st & 3rd Quarters
Call 800-345-4048

Proxy voting policies and information regarding how the Fund voted proxies relating to portfolio securities during the twelve month period ended June 30, 2004 are available without charge, upon request. The policies also appear in the Fund's Statement of Additional Information, which can be found on the SEC's website, <http://www.sec.gov>. The voting records can also be found on the SEC's website on the N-PX filing.

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the SEC's website at <http://www.sec.gov> and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

MAILING ADDRESS

CGM Shareholder Services
c/o Boston Financial Data Services
P.O. Box 8511
Boston, MA 02266-8511

This report has been prepared for the shareholders of the Fund and is not authorized for distribution to current or prospective investors in the Fund unless it is accompanied or preceded by a prospectus.

CGM Focus Fund

8th Annual Report
December 31, 2004

A No-Load Fund



Investment Adviser
Capital Growth Management
Limited Partnership

To Our Shareholders:

CGM Focus Fund's total return during the fourth quarter of 2004 was 4.5% compared to the unmanaged Standard and Poor's 500 Index which returned 9.2% over the same period. For the year just ended, CGM Focus Fund returned 12.4% and the unmanaged S&P 500 Index returned 10.9%.

The Year in Review and Economic Outlook

The economy continued to grow stronger in 2004. Quarterly growth in Gross Domestic Product ranged between 3.0% and 4.0% each quarter in real terms and corporate profits, capital spending and business productivity all reported advances at year-end. New housing construction continued to be reasonably strong throughout the year as mortgage rates remained attractive despite the Federal Reserve Board's five quarter-point hikes in the Federal Funds rate in 2004. And, though the recovery has spawned new jobs, the numbers were not enough to substantially reduce the unemployment rate, which was 5.4% at year-end.

Perhaps most appealing about this particular moment in the recovery is the absence of imbalances. We neither have a fully employed economy with inflation nor are we in recession. The consumer is still in a spending mood, but moderately so. Retail sales are up relative to year-earlier periods and the Consumer Confidence Index bounced nicely from 92.6 in November to 102.3 at year end. In the midst of all this, the biggest surprise of 2004 has been the trend of long-term interest rates—despite a business expansion, rising oil prices and a weak US dollar, long-term interest rates have remained mostly steady or a little down over the past year.

Up to this point, foreign countries have continued to buy dollar-denominated assets despite their dwindling purchasing power. The question is how long this buying will continue. Short term, a weaker dollar bolsters exports and corporate profits, but over a longer horizon, may prove to be inflationary and a precursor to higher interest rates.

The equity market as measured by the Standard and Poor's 500 Index was largely stagnant for the first nine months of the year. Signs of life appeared in the fourth quarter when the S&P rose 9.2% lifting leading averages to reflect an improved outlook for corporate profits. We believe the greatest market values lie in the more cyclical areas of the economy and the greatest risks lie in the declining dollar, higher oil prices and increasing interest rates.

Portfolio Strategy

CGM Focus Fund remained fully invested throughout 2004 in anticipation of continued worldwide economic growth. The Fund entered the year with 64% of the portfolio invested in three industries: steel, non-ferrous metals and housing and building materials. During the year, the non-ferrous metals and housing and building materials positions were reduced to minor levels while the steel concentration was maintained and, at year end, represented 23% of the portfolio. Proceeds from the sales of the other two positions were used to create major concentrations in energy related and foreign cellular telephone companies which constituted 28% and 16% of the portfolio respectively at year-end.

Toward the end of the year, the Fund also established small short positions in two securities and purchased a very minor position in foreign exchange contracts in the Yen and the Euro.

CGM Focus Fund's biggest gains during 2004 were in steel production companies. The Fund also experienced meaningful but lesser benefit from its investment in energy and foreign cellular securities. The largest loss during 2004 was realized in AU Optronics Corporation ADR, a manufacturer of flat panel displays for televisions and computers. This security is no longer held in the portfolio.

On December 31, 2004, the Fund's three largest equity positions were in the steel, oil and telephone industries. The Fund's three largest equity holdings were United States Steel Corporation, Nucor Corporation and Mobile TeleSystems OJSC ADR.



Robert L. Kemp
President

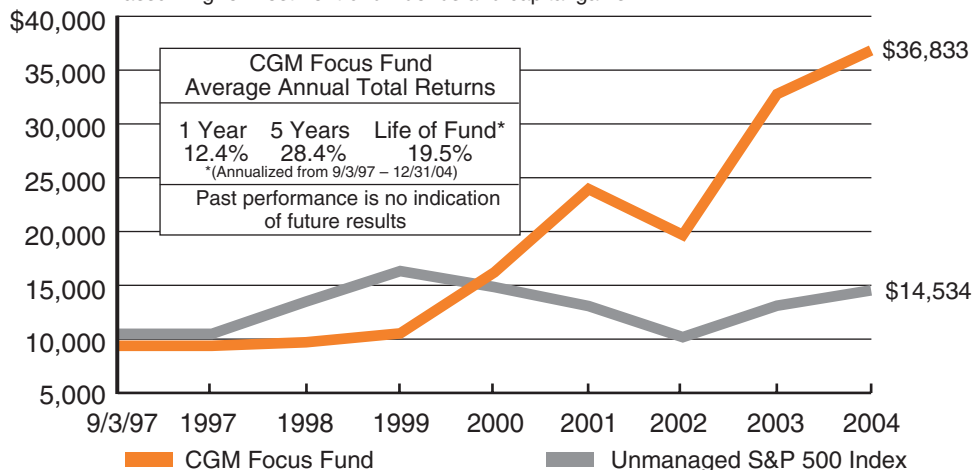


G. Kenneth Heebner
Portfolio Manager

January 3, 2005

Comparison of Change in Value of \$10,000 Investment in CGM Focus Fund and the Unmanaged S&P 500 Index

assuming reinvestment of dividends and capital gains



CGM FOCUS FUND Portfolio Manager

G. Kenneth Heebner has managed CGM Focus Fund since its inception on September 3, 1997. In 1990, Mr. Heebner founded Capital Growth Management Limited Partnership with Robert L. Kemp. Prior to establishing the new company, Mr. Heebner managed mutual funds at Loomis, Sayles and Company. In addition to CGM Focus Fund, he currently manages CGM Capital Development Fund, CGM Mutual Fund and CGM Realty Fund.

See the Schedule of Investments on page 4 for the percentage of net assets of the Fund invested in particular industries or securities.

INVESTMENT PERFORMANCE

(unaudited)

Cumulative Total Return for Periods Ended
December 31, 2004

	CGM Focus Fund
5 Years	+249.6%
1 Year	+ 12.4
3 Months	+ 4.5

The Fund's average annual total return since inception (September 3, 1997) through December 31, 2004 is +19.5%. The adviser limited the Fund's total operating expenses to 1.20% of its average net assets exclusive of any dividend expense incurred on short sales through December 31, 2001. Otherwise, the Fund's total return since inception and for the five-year period ended December 31, 2004 would have been lower. The performance data contained in the report represent past performance, which is no guarantee of future results. The graph and table above do not reflect the deduction of taxes a shareholder would pay on Fund distributions or the redemption of Fund shares and assumes the reinvestment of all Fund distributions. The investment return and the principal value of an investment in the Fund will fluctuate so that investors' shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted.

CGM FOCUS FUND

FUND EXPENSES

As a shareholder of the Focus Fund, you incur two types of costs: (1) transaction costs, which could include, among other charges, wire fees and exchange fees for certain types of accounts and (2) ongoing costs, including management fees and other Fund expenses. This Example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period July 1, 2004 to December 31, 2004.

Actual Return and Expenses

The first line of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	<i>Beginning Account Value 7/01/04</i>	<i>Ending Account Value 12/31/04</i>	<i>Expenses Paid During Period* 7/01/04 – 12/31/04</i>
Actual	\$1,000.00	\$1,120.00	\$6.82
Hypothetical (5% return before expenses)	\$1,000.00	\$1,018.70	\$6.50

* Expenses are equal to the Fund's annualized expense ratio of 1.28%, which includes expenses related to short sales activity, multiplied by the average account value over the period, multiplied by 184/366 (to reflect the one-half year period).

CGM FOCUS FUND

INVESTMENTS as of December 31, 2004

COMMON STOCKS — 99.4% OF TOTAL NET ASSETS

	<u>Shares</u>	<u>Value(a)</u>
Airlines — 10.5%		
GOL Linhas Aereas Inteligentes S.A. ADR(b)(c)	1,397,300	\$ 44,545,924
Lan Airlines S.A. ADR(b)	1,611,600	51,893,520
		<u>96,439,444</u>
Chemicals — 4.6%		
Lyondell Chemical Company	1,475,000	42,657,000
Energy — 5.4%		
Peabody Energy Corporation(d)	614,000	49,678,740
Hotels — 4.2%		
Starwood Hotels & Resorts Worldwide, Inc.	655,000	38,252,000
Housing and Buildings Materials — 7.2%		
Beazer Homes USA, Inc.	140,000	20,469,400
D.R. Horton, Inc.	420,000	16,930,200
Lennar Corporation	505,000	28,623,400
		<u>66,023,000</u>
Metals and Mining — 5.4%		
Phelps Dodge Corporation	500,000	49,460,000
Oil – Independent Production — 4.7%		
Kerr-McGee Corporation	750,000	43,342,500
Oil – Major Integrated — 13.1%		
ConocoPhillips	331,000	28,740,730
Murphy Oil Corporation(d)	595,000	47,867,750
Suncor Energy, Inc.	1,236,200	43,761,480
		<u>120,369,960</u>
Oil Refining — 5.2%		
Amerada Hess Corporation(d)	581,000	47,862,780
Steel — 23.4%		
AK Steel Holding Corporation(c)	1,150,000	16,640,500
IPSCO Inc.	470,000	22,466,000
Mittal Steel Company N.V.(c)	1,392,900	53,835,585
Nucor Corporation	1,042,000	54,538,280
POSCO ADR(b)	200,000	8,906,000
United States Steel Corporation	1,145,000	58,681,250
		<u>215,067,615</u>
Telephone — 15.7%		
America Movil S.A. de C.V. ADR(b)	680,000	35,598,000
Mobile TeleSystems OJSC ADR(b)(e)	393,500	54,503,685
Open Joint Stock Company “Vimpel-Communications” ADR(b)(c)(e)	1,497,000	54,101,580
		<u>144,203,265</u>
TOTAL COMMON STOCKS (Identified Cost \$769,097,269)		<u>913,356,304</u>

See accompanying notes to financial statements.

CGM FOCUS FUND

INVESTMENTS as of December 31, 2004 (continued)

BONDS — 0.1%

	<u>Face Amount</u>	<u>Value(a)</u>
United States Treasury — 0.1%		
United States Treasury Notes, 2.875%, 11/30/06(f)	\$ 1,000,000	\$ 996,875
TOTAL BONDS (Identified Cost \$998,548)		<u>996,875</u>

SHORT-TERM INVESTMENT — 14.2%

Commercial Paper — 2.1%

American Express Credit Corporation, 1.9%, 1/03/05	19,410,000	<u>19,410,000</u>
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Repurchase Agreements — 12.1%

Merrill Lynch Repurchase Agreement, 1.75%, dated 12/10/04, due 1/10/2005, repurchase price \$44,667,210 (Secured by cash, as collateral, with a market value of \$44,647,697)(d)(g)	44,600,000	44,600,000
Merrill Lynch Repurchase Agreement, 1.80%, dated 12/03/04, due 1/03/2005, repurchase price \$21,758,674 (Secured by cash, as collateral, with a market value of \$21,756,501)(d)(g)	21,725,000	21,725,000
Merrill Lynch Repurchase Agreement, 1.95%, dated 12/17/04, due 1/18/2005, repurchase price \$44,376,787 (Secured by cash, as collateral, with a market value of \$44,335,994)(d)(g)	44,300,000	<u>44,300,000</u>
		<u>110,625,000</u>

TOTAL SHORT TERM INVESTMENTS (Identified Cost \$130,035,000)		<u>130,035,000</u>
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TOTAL INVESTMENTS — 113.7% (Identified Cost \$900,130,817)(h)	1,044,388,179
Cash and receivables	96,572,124
Liabilities	<u>(222,123,257)</u>
TOTAL NET ASSETS — 100.0%	<u>\$ 918,837,046</u>

See accompanying notes to financial statements.

CGM FOCUS FUND

INVESTMENTS as of December 31, 2004 (continued)

	<u>Shares</u>	<u>Value(a)</u>
SECURITIES SOLD SHORT — 6.6% (Proceeds \$59,935,562)		
Federal National Mortgage Association	370,000	\$ 26,347,700
Wal-Mart Stores, Inc.	650,000	34,333,000
		<u>\$ 60,680,700</u>

FUTURES CONTRACTS

	<u>Contracts</u>	<u>Unrealized Gain(Loss)</u>
Long, Euro Currency Futures Contracts, expiration 6/05 (Market Value of Contracts \$2,546,250)	15	\$ 57,526
Long, Euro Currency Futures Contracts, expiration 9/05 (Market Value of Contracts \$2,552,063)	15	58,089
Long, Yen Currency Futures Contracts, expiration 6/05 (Market Value of Contracts \$1,849,688)	15	44,402
Long, Yen Currency Futures Contracts, expiration 9/05 (Market Value of Contracts \$1,864,688)	15	44,402
		<u>\$ 204,419</u>
Net payments (receipts) of variation margin to date		(\$ 225,419)
Variation margin receivable (payable) on open future contracts		<u>(\$ 21,000)</u>

(a) See Note 1A.

(b) An American Depositary Receipt (ADR) is a certificate issued by a U.S. bank representing the right to receive securities of the foreign issuer described. The values of ADRs are significantly influenced by trading on exchanges not located in the United States or Canada.

(c) Non-income producing security.

(d) A portion or all of this security has been segregated as collateral in connection with short sale investments (See Note 1E).

(e) The Fund has approximately 12% of its net assets at December 31, 2004 invested in companies incorporated in the Russian Federation.

(f) This security is pledged to cover margin requirements on currency futures contracts at December 31, 2004 (See Note 1F).

(g) Illiquid security. At December 31, 2004, the value of illiquid securities amounted to \$110,625,000 or 12.1% of net assets.

(h) Federal Tax Information: At December 31, 2004 the net unrealized appreciation on investments based on cost of \$902,125,644 for Federal income tax purposes was as follows:

Aggregate gross unrealized appreciation for all investments in which there is an excess of value over tax cost	\$ 143,919,986
Aggregate gross unrealized depreciation for all investments in which there is an excess of tax cost over value	(1,657,451)
Net unrealized appreciation	<u>\$ 142,262,535</u>

See accompanying notes to financial statements.

CGM FOCUS FUND

STATEMENT OF ASSETS AND LIABILITIES

December 31, 2004

Assets

Investments at value (Identified cost — \$789,505,817)	\$	933,763,179
Repurchase Agreements (Identified cost — \$110,625,000)		110,625,000
Cash		750
Restricted cash		60,017,663
Receivable for:		
Securities sold	\$30,381,246	
Shares of the Fund		
sold	3,645,587	
Dividends and interest	2,526,878	36,553,711
Total assets		<u>1,140,960,303</u>

Liabilities

Securities sold short at current market value (Proceeds \$59,935,562)		60,680,700
Payable for:		
Securities purchased ..	31,817,410	
Securities purchased to cover short sale	107,642,188	
Shares of the Fund		
redeemed	8,707,020	
Distributions declared ..	9,891,301	
Interest on short sale ..	2,030,231	
Dividend on short sale ..	78,000	
Variation margin on		
futures	21,000	
Tax withholding liability	329,049	160,516,199
Accrued expenses:		
Management fees	764,814	
Trustees' fees	21,550	
Accounting and		
Administration	15,516	
Transfer agent fees	42,195	
Other expenses	82,283	926,358
Total liabilities		<u>222,123,257</u>

Net Assets

Net Assets consist of:		
Capital paid-in	\$	780,723,174
Accumulated net realized loss		(5,602,771)
Net unrealized appreciation (depreciation) on investments:		
Long positions		144,257,362
Short positions		(745,138)
Futures contracts		204,419

Net Assets

Shares of beneficial interest outstanding, no par value		31,139,685
Net asset value per share*		<u>\$29.51</u>

*Shares of the Fund are sold and redeemed at net asset value (\$918,837,046 ÷ 31,139,685).

STATEMENT OF OPERATIONS

Year Ended December 31, 2004

Investment Income

Income	
Dividends (net of withholding tax of \$828,976)	\$ 10,519,984
Interest	438,739
	<u>10,958,723</u>

Expenses

Management fees	7,964,314
Trustees' fees	82,480
Accounting & Administration	128,912
Custodian	143,960
Transfer agent	425,870
Audit and tax services	38,250
Legal	145,534
Printing	78,603
Registration	35,000
Line of credit commitment fee	25,416
Dividend on short sale	78,000
Interest related to securities sold short	635,946
Miscellaneous	3,853
	<u>9,786,138</u>

Net investment income

Realized and Unrealized Gain (Loss) on Investments

Net realized gain (loss) on investments:	
Long transactions in non-controlled affiliated issuers	10,908,476
Long transactions in unaffiliated issuers	190,974,319
Short transactions	(6,052,262)
Net unrealized appreciation (depreciation) on:	
Long transactions	(102,066,766)
Short transactions	(745,138)
Futures contracts	204,419
Net gain on investments	<u>93,223,048</u>

Net Change in Assets from

Operations

\$ 94,395,633

See accompanying notes to financial statements.

CGM FOCUS FUND

STATEMENT OF CHANGES IN NET ASSETS

	Year Ended December 31,	
	2004	2003
From Operations		
Net investment income (loss)	\$ 1,172,585	\$ (4,451,222)
Net realized gain from investments	195,830,533	13,061,045
Unrealized appreciation (depreciation)	(102,607,485)	245,887,589
Change in net assets from operations	94,395,633	254,497,412
From Distributions to Shareholders		
Net investment income	(1,122,661)	—
Net realized long-term capital gain on investments	(114,230,602)	—
	(115,353,263)	—
From Capital Share Transactions		
Proceeds from sale of shares	350,770,119	336,779,934
Net asset value of shares issued in connection with reinvestment of:		
Dividends from net investment income	902,239	—
Distributions from net long-term capital realized gain	94,668,422	—
	446,340,780	336,779,934
Cost of shares redeemed	(282,045,208)	(199,761,235)
Change in net assets derived from capital share transactions	164,295,572	137,018,699
Total change in net assets	143,337,942	391,516,111
Net Assets		
Beginning of period	775,499,104	383,982,993
End of period (including undistributed net investment income of \$0 and \$0 at December 31, 2004 and December 31, 2003, respectively)	\$918,837,046	\$775,499,104
Number of Shares of the Fund:		
Issued from sale of shares	11,433,308	13,886,340
Issued in connection with reinvestment of:		
Dividends from net investment income	30,751	—
Distributions from net long-term capital realized gain	3,226,599	—
	14,690,658	13,886,340
Redeemed	(9,464,607)	(9,326,460)
Net change	5,226,051	4,559,880

See accompanying notes to financial statements.

CGM FOCUS FUND

FINANCIAL HIGHLIGHTS

	Year Ended December 31,				
	2004	2003	2002	2001	2000
For a share of the Fund outstanding throughout the period:					
Net asset value at the beginning of period	\$29.93	\$17.98	\$21.87	\$15.80	\$10.50
Net investment income (loss)(a)	0.04(b)(c)	(0.21)(b)	(0.21)(b)	0.01	0.36
Net realized and unrealized gain (loss) on investments	3.65	12.16	(3.68)	7.51	5.30
Total from investment operations	3.69	11.95	(3.89)	7.52	5.66
Dividends from net investment income	(0.04)	—	—	(0.01)	(0.36)
Distribution from net realized gain	(4.07)	—	—	(1.44)	—
Total Distributions	(4.11)	—	—	(1.45)	(0.36)
Net increase (decrease) in net asset value	(0.42)	11.95	(3.89)	6.07	5.30
Net asset value at end of period	\$29.51	\$29.93	\$17.98	\$21.87	\$15.80
Total Return (%)	12.4	66.5	(17.8)	47.7(d)	53.9(d)
Ratios:					
Operating expenses to average net assets (%)	1.12	1.18	1.18	1.20	1.20
Dividends and interest on short positions to average net assets (%)	0.09	—	0.02	0.00	0.01
Total expenses to average net assets (%)	1.21	1.18	1.20	1.20	1.21
Operating expenses to average net assets before expense limitation (%)	N/A	N/A	N/A	1.32	1.64
Dividends and interest on short positions to average net assets before expense limitation (%)	N/A	N/A	N/A	0.00	0.01
Total expenses to average net assets before expense limitation (%)	N/A	N/A	N/A	1.32	1.65
Net investment income (loss) to average net assets (%)	0.14	(0.92)	(0.98)	0.11	3.02
Portfolio turnover (%)	327	204	155	254	551
Net assets at end of period (in thousands) (\$)	918,837	775,499	383,983	249,562	78,889
(a) Net of reimbursement which amounted to (\$)	N/A	N/A	N/A	0.01	0.05
(b) Per share net investment income (loss) has been calculated using the average shares outstanding during the period.					
(c) Net investment income (loss) per share before dividends and interest on short positions for the period ended December 31, 2004 was \$0.07.					
(d) The total return would have been lower had certain expenses not been reduced during the period.					

See accompanying notes to financial statements.

CGM FOCUS FUND

NOTES TO FINANCIAL STATEMENTS — December 31, 2004

1. The Fund is a non-diversified series of CGM Trust which is organized as a Massachusetts business trust under the laws of Massachusetts pursuant to an Agreement and Declaration of Trust. The Trust is registered under the Investment Company Act of 1940 as an open-end management investment company. The Trust has two other funds whose financial statements are not presented herein. Along with one other fund in a separate Trust, there are four CGM Funds. The Fund's investment objective is long-term growth of capital. The Fund intends to pursue its objective by investing in a smaller number of companies, and/or in a more limited number of sectors than diversified mutual funds. In addition, should the investment outlook of the Fund's investment manager so warrant, the Fund may engage in a variety of investment techniques including short sales designed to capitalize on declines in the market price of specific equity securities of one or more companies or declines in market indexes.

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

- A. Security valuation** — Equity securities are valued on the basis of valuations furnished by a pricing service, authorized by the Board of Trustees. The pricing service provides the last reported sale price for securities listed on a national securities exchange or, in the case of the NASDAQ national market system, the NASDAQ official closing price. For securities with no sale reported and in the case of over-the-counter securities not so listed, the last reported bid price is used. Short-term investments having a maturity of sixty days or less are stated at amortized cost, which approximates value. Other assets and securities which are not readily marketable will be valued in good faith at fair value using methods determined by the Board of Trustees.
- B. Security transactions and related investment income** — Security transactions are accounted for on the trade date (date the order to buy or sell is executed) and dividend income is recorded on the ex-dividend date net of applicable foreign taxes. Interest income is recorded on the accrual basis and includes amortization of premium and discount. Net gain or loss on securities sold is determined on the identified cost basis.
- C. Federal income taxes** — It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies, and to distribute to its shareholders all of its taxable income and net realized capital gains, within the prescribed time period. Accordingly, no provision for federal income tax has been made. At December 31, 2004, there were no capital loss carryovers available to offset future realized gains. During the year 2004 the Fund utilized \$78,257,264 of capital loss carryovers.
- D. Dividends and distributions to shareholders** — Dividends and distributions are recorded by the Fund on the ex-dividend date. The classification of income and capital gains distributions is determined in accordance with income tax regulations. Distributions from net investment income and short-term capital gains are treated as ordinary income for income tax purposes. Permanent book and tax differences relating to shareholder distributions may result in reclassifications to paid-in capital. These differences are primarily related to amortization on bonds held short. The Fund also utilized earnings and profits distributed to shareholders on redemption of shares as a part of the dividend deduction for income tax purposes. Undistributed net investment income or accumulated net investment loss may

CGM FOCUS FUND

NOTES TO FINANCIAL STATEMENTS (continued)

include temporary book and tax differences such as tax deferral of losses on wash sales and unrealized gain (loss) on futures contracts, which will reverse in a subsequent period. Any taxable income or gain remaining at fiscal year end is distributed in the following year. During the year ended December 31, 2004, the tax character of distributions paid was as follows: ordinary income \$1,122,661 and long-term gains \$114,230,602.

- E. Short sales** — The Fund may sell securities short. A short sale is a transaction in which the Fund sells a security it does not own in anticipation that the market price of that security will decline. When the Fund makes a short sale, it must borrow the security sold short to make delivery to the buyer. The Fund then is obligated to replace the security borrowed by purchasing the security at the market price at the time of replacement. The Fund is liable for any dividends or interest paid on securities sold short. While the short sale is outstanding, the Fund is required to collateralize its obligations, which has the practical effect of limiting the extent to which the Fund may engage in short sales. The market value of securities held in a segregated account at December 31, 2004 was \$97,009,000 and the value of cash and repurchase agreements held in a segregated account was \$60,017,663 and \$110,625,000, respectively.
- F. Currency future contracts** — The Fund may seek to manage exposure to the relevant markets or to profit from changes in currency exchange rates using currency future contracts and other derivatives. The Fund will only engage in transactions in futures contracts that are traded on a United States exchange or board of trade. The value of futures contracts positions could be adversely affected by a number of complex political and economic factors applicable to the countries issuing the underlying currencies. When the Fund invests in future contracts these investments can disproportionately increase losses when currency exchange rates are changing. The Fund may not fully benefit from, or may lose money on, currency futures contracts if the Fund's investment manager fails to accurately predict changes in their value.
- Upon entering into a contract, the Fund deposits and maintains as collateral such initial margin as required by the exchange on which the transaction is effected. At December 31, 2004 the market value of the U.S. Treasury note pledged to cover margin requirements was \$996,875. Pursuant to the contract the Fund agrees to receive from or pay to the futures broker an amount of cash equal to the daily fluctuation in the value of the contract. Such receipts or payments are known as variation margin and are recorded by the Fund as unrealized gains and losses. When the contract is closed the Fund records a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.
- G. Repurchase agreements** — The Fund entered into repurchase agreements with Merrill Lynch. Cash pledged as collateral for repurchase agreements, which is held in a segregated account with a custodian bank and which may be obtained in the event of a default of the counter party, is held until maturity of the repurchase agreements. Collateral must be maintained at a value at least equal to the principal amount plus accrued interest of the repurchase agreement. Repurchase agreements could involve certain risks in the event of default or insolvency of Merrill Lynch, including possible delays or restrictions upon the ability of the Fund to dispose of its underlying securities.

- 2. Investment risk** — There are certain additional risks involved in investing in foreign securities that are not inherent in investments in domestic securities. These risks may involve adverse political and economic developments and the possible imposition of currency exchange blockages or other foreign governmental

CGM FOCUS FUND

NOTES TO FINANCIAL STATEMENTS (continued)

laws or restrictions. In addition, the securities of some foreign companies and securities markets are less liquid and at times more volatile than securities of comparable U.S. companies and U.S. securities markets.

3. Purchases and sales of securities — For the period ended December 31, 2004, purchases and sales of securities other than United States government obligations and short-term investments aggregated \$2,695,849,877 and \$2,654,447,336, respectively. Purchases of long-term United States government obligations aggregated \$998,516 and there were no sales of long-term United States government obligations for the period ended December 31, 2004.

4. A. Management fees — During the period ended December 31, 2004, the Fund incurred management fees of \$7,964,314, paid or payable to the Fund's investment adviser, Capital Growth Management Limited Partnership (CGM), certain officers and directors of which are also officers and trustees of the Fund. The management agreement provides for a fee at the annual rate of 1.00% on the first \$500 million of the Fund's average daily net assets, 0.95% of the next \$500 million and 0.90% on amounts in excess of \$1 billion.

B. Other expenses — CGM performs certain administrative, accounting, compliance and other services for the Fund. The expenses of those services, which are paid to CGM by the Fund, include the following: (i) expenses for personnel performing bookkeeping, accounting and financial reporting functions and clerical functions relating to the Fund; (ii) expenses for services required in connection with the preparation of registration statements and prospectuses, shareholder reports and notices, proxy questionnaires for SEC compliance; (iii) registration, filing and other fees in connection with requirements of regulatory authorities; and (iv) compliance in connection to Sarbanes Oxley Act of 2002. For the period ended December 31, 2004 these expenses amounted to \$128,912 and are shown separately in the financial statements as Accounting and Administration.

C. Trustees fees and expenses — The Fund does not pay any compensation directly to its officers or to any trustees who are directors, officers or employees of CGM, or any affiliate of CGM (other than registered investment companies). For the period ended December 31, 2004, each disinterested trustee was compensated by the CGM Funds with an annual fee of \$50,000 plus travel expenses for each meeting attended. The trustees are responsible for the audit committee functions of the Funds and have designated a chairman to oversee those functions who receives an additional \$30,000 annually. Of these amounts, each fund is responsible for \$7,000 per trustee annually, plus an annual variable fee calculated based on the proportion of each fund's average net assets relative to the aggregate average net assets of the CGM Funds.

5. Line of credit — The Fund has a \$20,000,000 committed, secured line of credit with State Street Corporation. Borrowings under the line will be charged interest at 0.75% over the current Overnight Federal Funds Rate. The Fund will incur a commitment fee of 0.125% per annum on the unused portion of the line of credit, payable quarterly. There were no borrowings under the line of credit during the period ended December 31, 2004.

6. Affiliated issuers — Affiliated issuers, as defined under the Investment Company Act of 1940, are those in which the Fund's holdings of an issuer represent 5% or more of the outstanding voting securities of the issuer. As of December 31, 2004, the Fund's investment did not exceed 5% in any issuer. The following summarizes transactions with affiliates of the Fund during the period ended December 31, 2004:

CGM FOCUS FUND

NOTES TO FINANCIAL STATEMENTS (continued)

<u>Name of Issuer</u>	<u>Number of Shares Held December 31, 2003</u>	<u>Gross Additions</u>	<u>Gross Reductions</u>	<u>Number of Shares Held December 31, 2004</u>	<u>Dividend Income</u>	<u>Market Value December 31, 2004</u>
Fleetwood Enterprises, Inc.*	2,111,800	0	2,111,800	0	\$0	\$0

* Effective February 10, 2004 the Fund no longer held Fleetwood Enterprises, Inc.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees of CGM Trust and Shareholders of CGM Focus Fund:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of CGM Focus Fund (the “Fund,” a series of CGM Trust) at December 31, 2004, the results of its operations, the changes in its net assets and the financial highlights for the periods indicated, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as “financial statements”) are the responsibility of the Fund’s management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2004 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Boston, Massachusetts
February 16, 2005

CGM FOCUS FUND

RESULTS OF SPECIAL MEETING OF SHAREHOLDERS (unaudited)

On November 19, 2004, a special meeting of the shareholders of CGM Trust (which is comprised of the Fund, the CGM Mutual Fund and the CGM Realty Fund and referred to herein as the "Trust") was held for the purpose of asking shareholders to consider the following proposals, which are more fully described in the Proxy Statement dated September 27, 2004:

Proposal 1: To elect Mark W. Holland a Trustee of the Trust.

<u>Number of Shares of the Trust</u>		
<u>For</u>		<u>Withheld</u>
36,940,430.4540		972,590.9100

Proposal 2: To authorize the Trustees of the Trust to adopt an Amendment to the Declaration of Trust of the Trust.

<u>Number of Shares of the Trust</u>		
<u>For</u>	<u>Against</u>	<u>Abstain</u>
36,293,662.1730	621,413.2040	997,945.9870

Proposal 3: To approve a new Advisory Agreement between Capital Growth Management Limited Partnership and the Trust on behalf of the Fund.

<u>Number of Shares of the Fund</u>		
<u>For</u>	<u>Against</u>	<u>Abstain</u>
13,130,098.6560	184,638.9100	195,638.9430

Proposal 4: To amend the Fund's fundamental investment restriction on industry concentration.

<u>Number of Shares of the Fund</u>		
<u>For</u>	<u>Against</u>	<u>Abstain</u>
9,389,607.6680	281,565.5510	174,113.2900

Mark W. Holland was elected a trustee of the Trust at the special meeting on November 19, 2004. The other trustees of the Trust whose terms of office as trustees continued after the special meeting are G. Kenneth Heebner, Robert L. Kemp, Peter O. Brown, Laurens MacLure, James Van Dyke Quereau, Jr., and J. Baur Whittlesey.

TAX INFORMATION (unaudited) FOR THE TAX YEAR ENDED 12/31/2004

We are providing this information as required by the Internal Revenue Code. The amounts shown may differ from those elsewhere in this report because of differences between tax and financial reporting requirements.

For the year ended December 31, 2004, the Fund designated \$118,251,551 as long-term capital dividends.

CGM FOCUS FUND

The Fund is supervised by the board of trustees (the “Board”) of the Trust. The Board is responsible for the general oversight of the Fund, including general supervision and review of the Fund’s investment activities. The Board, in turn, elects the officers who are responsible for administering the Fund’s day-to-day operations.

An asterisk in the table below identifies those trustees and officers who are “interested persons” of the Trust as defined in the Investment Company Act of 1940. Each trustee and officer of the Trust noted as an interested person is interested by virtue of that individual’s position with Capital Growth Management Limited Partnership (“CGM”), the Fund’s investment adviser, as described in the table below. Each trustee serves during the continued lifetime of the Trust or until he earlier dies, resigns or is removed, or if sooner, until the election and qualification of his successor. Each officer serves until his or her successor is elected or qualified or until the officer sooner dies, resigns, or is removed or becomes disqualified.

The trustees and officers of the Trust, their ages, their principal occupations during the past five years, the number of CGM Funds they oversee, and other directorships they hold are set forth below. Unless otherwise noted below, the address of each interested trustee and officer is One International Place, Boston, Massachusetts 02110. Correspondence intended for the trustees who are not “interested persons” of the Trust may be sent c/o Capital Growth Management, One International Place, Boston, Massachusetts 02110.

The Statement of Additional Information for the Fund includes additional information about Fund trustees and is available, without charge, upon request by calling the CGM Marketing Department, toll free, at 800-345-4048.

<u>Name, Address and Age</u>	<u>Position Held and Length of Time Served</u>	<u>Principal Occupation During Past 5 Years and Other Directorships Held</u>	<u>Number of Funds in the CGM Funds Complex Overseen</u>
Interested Trustees			
G. Kenneth Heebner* age 64	Trustee since 1993	Employee, CGM; Part Owner, Kenbob, Inc. (managing partner of CGM)	4
Robert L. Kemp* age 72	Trustee since 1990	Employee, CGM; Part Owner, Kenbob, Inc. (managing partner of CGM)	4
Disinterested Trustees			
Peter O. Brown age 64	Trustee since 1993	Counsel (formerly, Partner), Harter, Secrest & Emery LLP (law firm); Trustee, TT International U.S.A. Master and Feeder Trusts (four mutual funds)	4
Mark W. Holland age 55	Trustee since 2004	President, Wellesley Financial Advisors, LLC; formerly Vice President and Chief Operating Officer, Fixed Income Management, Loomis, Sayles & Company L.P.; formerly Director, Loomis, Sayles & Company L.P.	4
Laurens MacLure age 79	Trustee since 1990	Retired; formerly President and Chief Executive Officer, New England Deaconess Hospital; formerly Trustee, New England Zenith Fund; formerly Director, Massachusetts Blue Cross/Blue Shield	4

CGM FOCUS FUND

<u>Name, Address and Age</u>	<u>Position Held and Length of Time Served</u>	<u>Principal Occupation During Past 5 Years and Other Directorships Held</u>	<u>Number of Funds in the CGM Funds Complex Overseen</u>
James Van Dyke Quereau, Jr. age 56	Trustee since 1993	Managing Partner and Director, Stratton Management Company (investment management); Director and Vice President, Semper Trust Co.	4
J. Baur Whittlesey age 58	Trustee since 1990	Member, Ledgewood Law Firm, P.C.	4
Officers			
G. Kenneth Heebner* age 64	Vice President since 1990	Employee, CGM; Part Owner, Kenbob, Inc. (managing partner of CGM)	4
Robert L. Kemp* age 72	President since 1990	Employee, CGM; Part Owner, Kenbob, Inc. (managing partner of CGM)	4
David C. Fietze* age 35 address: 222 Berkeley Street, Boston, Massachusetts 02116	Chief Compliance Officer since 2004	Employee – Legal counsel, CGM; formerly counsel, Bartlett Hackett Feinberg, P.C.; formerly counsel, McLane, Graf, Raulerson & Middleton	4
Kathleen S. Haughton* age 44 address: 222 Berkeley Street, Boston, Massachusetts 02116	Vice President since 1992 and Anti-Money Laundering Compliance Officer since 2002	Employee – Investor Services Division, CGM	4
Jem A. Hudgins* age 41	Treasurer since 2004	Employee – CGM; formerly Vice President – Tax and Treasury, AEW Capital Management L.P.	4
Leslie A. Lake* age 59	Vice President and Secretary since 1992	Employee – Office Administrator, CGM	4
Martha I. Maguire* age 49	Vice President since 1994	Employee – Funds Marketing, CGM	4
Mary L. Stone* age 60	Assistant Vice President since 1990	Employee – Portfolio Transactions, CGM	4
W. Dugal Thomas* age 67	Vice President since 1992	Employee – Director of Marketing, CGM	4